

MINUTES OF THE OPEN SESSION OF THE RHODE ISLAND ETHICS COMMISSION

December 4, 2007

The Rhode Island Ethics Commission held its 21st meeting of 2007 at 9:00 a.m. at the Rhode Island Ethics Commission conference room, located at 40 Fountain Street, 8th Floor, Providence, Rhode Island, on Tuesday, December 4, 2007, pursuant to the notice published at the Commission Headquarters and at the State House Library.

The following Commissioners were present:

Barbara R. Binder, Vice Chair James V. Murray

George E. Weavill, Jr., Secretary James C. Segovis*

Richard E. Kirby Ross Cheit

Also present were Kathleen Managhan, Commission Legal Counsel; Kent A. Willever, Commission Executive Director; Katherine D'Arezzo, Senior Staff Attorney; Staff Attorneys Jason Gramitt, Dianne L. Leyden and Esme DeVault and Commission Investigators Steven T. Cross, Peter J. Mancini and Steven Branch.

At approximately 9:08 a.m., the Vice Chair opened the meeting. The first order of business was a motion to approve minutes of the Open

Session held on November 20, 2007. Upon motion made by Commissioner Cheit and duly seconded by Commissioner Murray, it was unanimously

VOTED: To approve the minutes of the Open Session held on November 20, 2007.

The next order of business was advisory opinions. The advisory opinions were based on draft advisory opinions prepared by the Commission Staff for review by the Commission and were scheduled as items on the Open Session Agenda for this date. The first advisory opinion was that of Gordon G. Stroupe, a member of the Smithfield Zoning Board of Review. Staff Attorney DeVault presented the Commission Staff recommendation. The petitioner was not present. Upon motion made by Commissioner Weavill and duly seconded by Commissioner Cheit, it was unanimously

VOTED: To issue an advisory opinion, attached hereto, to Gordon G. Stroupe, a member of the Smithfield Zoning Board of Review.

The next advisory opinion was that of George D. McKinnon, a member of the Smithfield Zoning Board of Review. Staff Attorney DeVault presented the Commission Staff recommendation. The petitioner was not present. Upon motion made by Commissioner Cheit and duly seconded by Commissioner Murray, it was unanimously

VOTED: To issue an advisory opinion, attached hereto, to George D. McKinnon, a member of the Smithfield Zoning Board of Review.

The next advisory opinion was that of John Kovolski, a member of the Smithfield Zoning Board of Review. Staff Attorney DeVault presented the Commission Staff recommendation. The petitioner was not present.

***Commissioner Segovis arrived at 9:14 a.m.**

Commissioner Kirby indicated that he finds the situation a bit problematic because Keegan is applying for a loan for this development, which distinguishes it from a regular business client. He stated that the petitioner has a fiduciary duty as a member of the Board of Directors to make sound loans and noted that approval is often contingent upon the financing. He expressed that he would not have this level of discomfort if the loan were not for the development before his Board. Commissioner Segovis stated that he spent eight years as a federal regulator and this is typical of the problems he saw. He noted that this is a small credit union and that Directors do involve themselves with loans and they have to approve contingencies. He advised that he is uncomfortable with the situation.

Staff Attorney DeVault stated that she stands by her

recommendation. She explained that there is a proposed master plan for twelve houses in one subdivision. She informed that Dexter's 2006 report listed assets of over one hundred million. She also advised that the financial impact is indirect and hypothetical, as it would require a whole series of "if, then" actions to occur. Commissioner Cheit voiced his agreement and inquired if the petitioner has authorization over this loan. Staff Attorney DeVault informed that the petitioner related that he does not know anything about this loan, other than that it is still pending, and has had no involvement with it.

In response to Commissioner Cheit, Commissioner Kirby reiterated that his concern relates to the applicant appearing before Dexter to obtain financing for the project. Commissioner Cheit stated that the loan does not go to the Board of Directors. Commissioner Kirby indicated that Dexter might not approve the loan until all approvals are made by the local regulatory authority, or make it contingent thereupon. He suggested that the Board would likely be very involved in a small credit union. Commissioner Cheit replied that the Staff informed that the petitioner represented he has not been involved. In response to Commissioner Kirby, Staff Attorney DeVault stated that the petitioner clearly was aware that the application was pending, which is why he sought an opinion.

Commissioner Binder noted that the petitioner has a fiduciary obligation to the credit union. Commissioner Weavill asked for an

explanation of how the petitioner has insulated himself from this matter. Staff Attorney DeVault replied that the petitioner stated he has not been involved at all; Board members are not involved with approving loans. At Commissioner Weavill's request, Staff Attorney DeVault provided the 2006 annual statement for him to review. Commissioner Binder indicated that if the loan were approved, the petitioner's business associate will make money if he votes to approve the plan. Commissioner Kirby commented that he does not have the authority to approve the loan, but in his public capacity he has the authority to grant an approval which will let the loan kick in.

Commissioner Segovis commented on Rhode Island's track record, specifically with regard to credit unions, and questioned Dexter's system of checks and balances. Commissioner Weavill advised, after reading from the 2006 annual statement, that Dexter had sixty million dollars in real estate loans outstanding, with eleven million dollars having been loaned last year. He suggested that this proposal would be about twenty to twenty five percent of a whole year's lending. He also noted that there is a Credit Committee of two members who are present at all regular meetings of the Board of Directors. Commissioner Cheit stated that he would have a huge problem if the petitioner were on the Credit Committee, but he is not.

Upon motion made by Commissioner Binder and duly seconded by Commissioner Weavill to deny approval of the draft advisory opinion, there was discussion. Commissioner Weavill stated that he would

not have a problem with it if it were a normal business relationship with a very large institution. In response to Commissioner Cheit, Staff Attorney DeVault informed that the petitioner represented that he has no knowledge as to the amount of financing requested. She reiterated that that the financial impact is too remote and is not the type prohibited by the Code. Upon the original motion, it was

VOTED: To deny issuance of the draft advisory opinion.

AYES: George E. Weavill, Jr., James C. Segovis, Richard E. Kirby, James V. Murray and Barbara R. Binder.

NOES: Ross Cheit.

The next advisory opinion was that of Louis P. Sposato, a member of the Westerly School Committee. Staff Attorney Gramitt presented the Commission Staff recommendation. The petitioner was not present. Upon motion made by Commissioner Weavill and duly seconded by Commissioner Cheit, it was unanimously

VOTED: To issue an advisory opinion, attached hereto, to Louis P. Sposato, a member of the Westerly School Committee.

At approximately 9:39 a.m., upon motion made by Commissioner Murray and duly seconded by Commissioner Cheit, it was unanimously

VOTED: To go into Executive Session pursuant to R.I. Gen. Laws § 42-46-5(a)(4), to wit:

a.) Motion to approve minutes of Executive Session held on November 20, 2007.

**b.) In re: Frederic C. Crowley,
Complaint No. 2007-2**

c.) Motion to return to Open Session.

The Commission reconvened in Open Session at approximately 9:40 a.m. The next order of business was the Director's Report. Executive Director Willever reported that there are seven complaints and four advisory opinions pending. He informed that the Staff granted one formal APRA request since the last meeting. He advised that he and Senior Staff Attorney D'Arezzo attended a budget hearing before the House Finance Committee yesterday. He indicated that the Commission is level funded and he expects that it will come within budget for both FY 08 and FY 09, barring unexpected circumstances.

The next order of business was New Business. Commissioner Binder advised that Legal Counsel Managhan previously informed the members that she will not serve beyond June. She inquired whether

the members wished to form a committee to look at the requirements and notice for the position. Director Willever replied that the Commission generally runs a notice in the Providence Journal a couple of months prior to the opening, as it can be problematic for an attorney in private practice to know his or her availability six months in advance. He stated that in the past the Commission has appointed a hiring committee to review applications and conduct interviews. Commissioner Binder asked the Director to provide the Commission with a copy of the prior notice.

Senior Staff Attorney D'Arezzo requested a brief recess to await the next matter, which had been noticed for 10:00 a.m.

At approximately 10:06 a.m. the Commission reconvened in Executive Session pursuant to the prior recitation of notice. The Commission reconvened in Open Session at approximately 11:14 a.m. The Vice Chair reported that the Commission took the following actions in Executive Session: 1) approved minutes of the Executive Session held on November 20, 2007; and 2) found that probable cause exists in Complaint No. 2007-2, In re: Frederic C. Crowley, that the Respondent violated R.I. Gen. Laws § 36-14-5(a) and (d) by voting to elect himself as Chair of the Cumberland School Committee.

The next order of business was a Motion to Seal minutes of the Executive Session held on December 4, 2007. Upon motion made by Commission Weavill and duly seconded by Commissioner Segovis, it

was unanimously

VOTED: To seal the minutes of the Executive Session held on December 4, 2007.

At approximately 11:16 a.m., upon motion made by Commissioner Kirby and duly seconded by Commissioner Weavill, it was unanimously

VOTED: To adjourn.

Respectfully submitted,

George E. Weavill, Jr.

Secretary